



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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December 30, 2008

To the Governor and Members of the
General Assembly:

As required by section 11.46 of the Code of Iowa, we hereby submit this report on our review of targeted small business procurement activities for the year ended June 30, 2008. The report includes the results of our review.

A handwritten signature in black ink, reading "David A. Vaudt".

DAVID A. VAUDT, CPA
Auditor of State

A handwritten signature in black ink, reading "Warren G. Jenkins".

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Report to the Legislature on Targeted Small Business Procurement Goals

Introduction

Section 11.46 of the Code of Iowa requires the Auditor of State to annually conduct a review of whether state agencies are meeting their goal for procurement activities and compliance with the forty-eight hour notice provision included in sections 73.15 through 73.21 of the Code of Iowa.

Background

On December 8, 2006, the Targeted Small Business (TSB) Task Force presented six recommendations to Governor Vilsack to improve the TSB program. These recommendations were included in HF 890, which was signed by Governor Culver on May 22, 2007.

Establishment of Procurement Goals

Section 73.16 of the Code of Iowa requires the Director of each agency or department of state government (agency) having purchasing authority, in cooperation with the TSB Marketing and Compliance Manager of the Department of Economic Development (DED), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal shall include the procurement of goods and services, including construction but excluding utility services. The goal shall be stated in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

Section 73.16(2) of the Code of Iowa also requires, of the total value of anticipated procurements of goods and services subject to the above goals, an additional goal to procure at least forty percent from minority-owned businesses and forty percent from female-owned businesses. These additional goals were not established for the year ended June 30, 2008 (FY 2008).

Thirteen of seventy-two state agencies did not set FY 2008 TSB procurement goals greater than their FY 2007 actual TSB spending. However, four of these thirteen state agencies' FY 2008 actual TSB spending exceeded their FY 2007 actual TSB spending. As required by section 73.16 of the Code of Iowa, procurement goals for state agencies are to be established at a level which exceeds the procurement level during the previous fiscal year.

Reporting Actual TSB Spending

Agencies with an established TSB procurement goal are required to report the dollar amount of purchases from certified targeted small businesses to the Marketing and Compliance Manager on a quarterly basis within 15 business days following the end of the calendar quarter.

Table I, State Agencies Report, Table II, Community Colleges Report, and Table III, Area Education Agencies Report, summarize FY 2008 actual TSB spending compared to the respective FY 2008 TSB procurement goals as reported to DED. Some state agencies, community colleges and area education agencies did not submit all required quarterly reports for FY 2008.

Twenty-seven of the seventy-two state agencies did not meet their FY 2008 TSB procurement goals. Six of thirteen community colleges did not meet their FY 2008 TSB procurement goals. Two community colleges did not report their FY 2008 actual TSB spending and one community college did not have an established FY 2008 TSB procurement goal. Six of eight area education agencies did not meet their FY 2008 TSB procurement goals and two area education agencies did not report their FY 2008 actual TSB spending.

Although twenty-seven state agencies did not meet their FY 2008 TSB procurement goals, as shown in Table I, total FY 2008 actual TSB spending exceeded total FY 2008 TSB procurement goals by approximately \$5,935,000. Similarly, while six of thirteen community colleges did not meet their FY 2008 TSB procurement goals, as shown in Table II, total FY 2008 actual TSB spending exceeded the total FY 2008 TSB procurement goals by approximately \$119,000.

DED should continue to work with these state agencies, community colleges and area education agencies to establish procurement goals in compliance with the Code of Iowa and ensure all required quarterly reports are submitted to DED.

Notification of Bids

Section 73.16 of the Code of Iowa requires each agency having purchasing authority to issue electronic bid notices for distribution to the targeted small business (TSB) web page forty-eight hours prior to the issuance of bid notices to all vendors. DED has established the TSB website on which agencies post requests for bids. Prior to July 2008, any person or company wanting to bid on a project had immediate access to the forty-eight hour notification. Beginning July 2008, the TSB website is available only to certified targeted small businesses through a user-id and password. Bid notices are to be posted on the Iowa Department of Administrative Services (DAS) website or the agencies' own website at least 48 hours later.

Certain bids were posted to the TSB website two days prior to posting to the DAS website, but not a full 48 hours prior to posting to the DAS or the agencies' websites as required by the Code of Iowa. In addition, although one state agency and one university posted bids to the TSB website two days prior to posting to their websites, we were unable to determine if the forty-eight hour notification requirement had been met because the notices were not time-stamped.

State agencies and universities should review their procedures and maintain documentation to ensure compliance with the forty-eight hour notice required by the Code of Iowa.

Table 1

State Agencies Report
Year ended June 30, 2008

| No. | Agency | Agency # | FY 2007 Actual Targeted Small Business Spending | FY 2008 Targeted Small Business Procurement Goal | FY 2008 Actual Targeted Small Business Spending | FY 2008 Actual Over (Under) Goal | FY 2008 Actual As a % of Goal |
|-----|--|-----------|--|--|--|---|--|
| 1 | Administrative Services | 005 | \$ 171,259.97 | \$ 175,000.00 | \$ 88,695.52 | \$ (86,304.48) | 51% |
| 2 | Agriculture/Land Stewardship | 009 | 158,321.07 | 175,000.00 | 160,655.50 | (14,344.50) | 92% |
| 3 | Attorney General | 112 & 114 | 69,047.60 | * 40,000.00 | 46,456.51 | 6,456.51 | 116% |
| 4 | Auditor | 126 | 861.60 | 10,000.00 | 9,661.30 | (338.70) | 97% |
| 5 | Blind | 131 | 5,516.04 | 6,000.00 | 47,102.00 | 41,102.00 | 785% |
| 6 | Ethics/Campaign Disclosure | 140 | 87.95 | 500.00 | 710.65 | 210.65 | 142% |
| 7 | Civil Rights | 167 | 1,232.04 | 1,500.00 | 2,372.30 | 872.30 | 158% |
| 8 | Commerce - Alcoholic Beverages | 212 | 5,140.99 | 26,000.00 | 34,579.96 | 8,579.96 | 133% |
| 9 | Commerce - Banking | 213 | 10,988.00 | * 4,000.00 | 1,555.00 | (2,445.00) | 39% |
| 10 | Commerce - Credit Union | 214 | 596.70 | 1,000.00 | 1,264.83 | 264.83 | 126% |
| 11 | Commerce - Insurance | 216 | 21,532.80 | 25,000.00 | 16,798.13 | (8,201.87) | 67% |
| 12 | Commerce - Licensing | 217 | 4,176.07 | 11,000.00 | 1,830.45 | (9,169.55) | 17% |
| 13 | Commerce - Utilities | 219 | 205,826.73 | 210,000.00 | 233,300.05 | 23,300.05 | 111% |
| 14 | Corrections-Central Office | 238 | - | 2,500.00 | 17,634.21 | 15,134.21 | 705% |
| 15 | Fort Madison | 242 | 7,698.94 | 50,000.00 | 51,551.16 | 1,551.16 | 103% |
| 16 | Anamosa | 243 | 15,342.50 | * 12,000.00 | 43,407.68 | 31,407.68 | 362% |
| 17 | Oakdale - Medical & Classification Center | 244 | 95,364.58 | * 50,000.00 | 69,454.16 | 19,454.16 | 139% |
| 18 | Newton | 245 | 22,769.35 | 25,000.00 | 16,846.30 | (8,153.70) | 67% |
| 19 | Mt. Pleasant | 246 | - | 1,000.00 | 3,462.19 | 2,462.19 | 346% |
| 20 | Rockwell City | 247 | 5,955.26 | 10,000.00 | 15,183.53 | 5,183.53 | 152% |
| 21 | Clarinda | 248 | - | 2,500.00 | 1,890.14 | (609.86) | 76% |
| 22 | Mitchellville | 249 | - | 5,000.00 | 5,626.20 | 626.20 | 113% |
| 23 | Anamosa - Prison Industries | 250 | 70,904.38 | 74,449.60 | 72,895.94 | (1,553.66) | 98% |
| 24 | Fort Dodge | 252 | 3,565.93 | 4,000.00 | 5,978.14 | 1,978.14 | 149% |
| 25 | Cultural Affairs | 259 & 265 | 5,560.72 | 10,000.00 | 2,283.40 | (7,716.60) | 23% |
| 26 | Economic Development | 269 | 61,646.00 | 205,321.03 | 322,618.74 | 117,297.71 | 157% |
| 27 | Iowa Finance Authority | 270 | - | 37,500.00 | 9,907.51 | (27,592.49) | 26% |
| 28 | Education | 282 | 155,501.93 | 156,000.00 | 158,058.23 | 2,058.23 | 101% |
| 29 | Voc Rehab. | 283 | 66,132.39 | 70,000.00 | 17,339.99 | (52,660.01) | 25% |
| 30 | College Aid | 284 | 17,848.20 | 18,000.00 | 4,979.99 | (13,020.01) | 28% |
| 31 | Iowa Public Television | 285 | 128,513.01 | * 80,000.00 | 212,354.43 | 132,354.43 | 265% |
| 32 | Elder Affairs | 297 | 56,987.72 | * 50,000.00 | 91,599.98 | 41,599.98 | 183% |
| 33 | Workforce Development | 309 | 151,760.14 | 152,000.00 | 142,020.03 | (9,779.97) | 93% |
| 34 | General Services Capitals | 335 | 275,865.40 | 280,000.00 | 1,501,239.84 | 1,221,239.84 | 536% |
| 35 | ICN | 336 | 95,190.39 | * 48,000.00 | 35,451.65 | (12,548.35) | 74% |
| 36 | Governor | 350 | 3,407.90 | 3,500.00 | 8,929.12 | 5,429.12 | 255% |
| 37 | Human Rights | 379 | 20,962.09 | 21,000.00 | 35,453.34 | 14,453.34 | 169% |
| 38 | Human Services Administration | 401 | 29,511.57 | 29,512.00 | 50,628.55 | 21,116.55 | 172% |

Table 1

State Agencies Report
Year ended June 30, 2008

| No. | Agency | Agency # | FY 2007 Actual Targeted Small Business Spending | FY 2008 Targeted Small Business Procurement Goal | FY 2008 Actual Targeted Small Business Spending | FY 2008 Actual Over (Under) Goal | FY 2008 Actual As a % of Goal |
|-----|------------------------------------|-----------|--|--|--|---|--|
| 39 | Human Services Community Services | 402 | 62,336.08 | 62,337.00 | 356,402.66 | 294,065.66 | 572% |
| 40 | Toledo | 404 | - | 1,000.00 | 11,468.00 | 10,468.00 | 1147% |
| 41 | Eldora | 405 | 11,669.19 | 20,000.00 | 34,047.77 | 14,047.77 | 170% |
| 42 | Cherokee MHI | 407 | 8,345.26 | * 4,000.00 | 4,162.35 | 162.35 | 104% |
| 43 | Clarinda MHI | 408 | - | 2,500.00 | 5,149.91 | 2,649.91 | 206% |
| 44 | Independence MHI | 409 | 514.95 | 10,000.00 | 9,666.68 | (333.32) | 97% |
| 45 | Mt. Pleasant MHI | 410 | - | 1,000.00 | 219.35 | (780.65) | 22% |
| 46 | Glenwood HS | 411 | - | 10,000.00 | 91,347.52 | 81,347.52 | 913% |
| 47 | Woodward HS | 412 | 45,161.71 | 47,000.00 | 48,659.79 | 1,659.79 | 104% |
| 48 | Human Services Assistance Payments | 413 | 962,378.35 | 962,379.00 | 1,093,126.08 | 130,747.08 | 114% |
| 49 | Inspections & Appeals | 427 | 8,276.18 | 11,000.00 | 13,697.84 | 2,697.84 | 125% |
| 50 | Public Defender | 428 | 136,903.75 | 140,000.00 | 261,567.34 | 121,567.34 | 187% |
| 51 | Racing & Gaming | 429 | 36,266.50 | 38,000.00 | 30,770.15 | (7,229.85) | 81% |
| 52 | Judicial | 444 | 7,947.50 | 10,000.00 | 11,294.00 | 1,294.00 | 113% |
| 53 | Law Enforcement Academy | 467 | 12,299.90 | 13,000.00 | 16,787.73 | 3,787.73 | 129% |
| 54 | Leg. Citizen's Aide | 503 | 255.80 | 1,000.00 | 165.20 | (834.80) | 17% |
| 55 | Legislative Service Agency | 504 | 17,225.49 | 20,000.00 | 25,898.45 | 5,898.45 | 129% |
| 56 | Management | 532 | 3,414.18 | 3,500.00 | 6,915.18 | 3,415.18 | 198% |
| 57 | Natural Resources | 542 & 543 | - | 250,000.00 | 519,899.00 | 269,899.00 | 208% |
| 58 | Parole Board | 547 | - | 200.00 | 478.00 | 278.00 | 239% |
| 59 | IPERS | 553 | 36,459.41 | 40,000.00 | 105,046.54 | 65,046.54 | 263% |
| 60 | PERB | 572 | - | 1,000.00 | 1,104.85 | 104.85 | 110% |
| 61 | Public Defense | 582 & 584 | 6,592.05 | 75,000.00 | 74,992.09 | (7.91) | 100% |
| 62 | Homeland Sec/ Emergency Mgmt | 583 | 50,563.15 | * 15,000.00 | 10,173.23 | (4,826.77) | 68% |
| 63 | Public Health | 588 | 229,088.69 | 235,960.00 | 340,694.79 | 104,734.79 | 144% |
| 64 | Public Safety | 595 | - | 75,000.00 | 64,329.84 | (10,670.16) | 86% |
| 65 | Revenue | 625 | 80,902.64 | * 55,000.00 | 53,057.98 | (1,942.02) | 96% |
| 66 | Secretary of State | 635 | 13,924.19 | * 5,000.00 | 20,089.44 | 15,089.44 | 402% |
| 67 | Office of Drug Control Policy | 642 | 56,928.97 | * 20,000.00 | 10,173.95 | (9,826.05) | 51% |
| 68 | Transportation, Capitals | 645 & 646 | 23,858,441.44 | * 10,000,000.00 | 12,227,081.89 | 2,227,081.89 | 122% |
| 69 | State Treasurer | 655 | 27,706.06 | 28,000.00 | 7,663.56 | (20,336.44) | 27% |
| 70 | Veterans Home | 671 | 106,046.73 | 110,000.00 | 83,813.21 | (26,186.79) | 76% |
| 71 | Veterans Affairs | 672 | - | 1,000.00 | - | (1,000.00) | 0% |
| 72 | Board of Regents | | - | 6,300,000.00 | 7,503,464.00 | 1,203,464.00 | 119% |
| | Total | | \$ 27,724,724.13 | \$ 20,650,158.63 | \$ 26,585,185.02 | \$ 5,935,026.39 | |

* - FY 2008 TSB procurement goal is less than FY 2007 actual TSB spending.

Source: TSB Procurement Goals and Quarterly Reports on file with the Iowa Department of Economic Development.

Community Colleges Report

Year ended June 30, 2008

| No. | Area Community College | FY 2007 Actual Targeted Small Business Spending | FY 2008 Targeted Small Business Procurement Goal | FY 2008 Actual Targeted Small Business Spending | FY 2008 Actual Over (Under) Goal | FY 2008 Actual As a % of Goal |
|-----|---|--|--|--|---|--|
| 1 | Northeast Iowa Community College | \$ 1,790.00 | \$ 10,000.00 | \$ 5,305.96 | \$ (4,694.04) | 53% |
| 2 | North Iowa Area Community College | - | 10,000.00 | 14,893.00 | 4,893.00 | 149% |
| 3 | Iowa Lakes Community College | 33,197.00 | 45,000.00 | 53,358.00 | 8,358.00 | 119% |
| 4 | Northwest Iowa Community College | 22,387.00 | 25,000.00 | 22,547.00 | (2,453.00) | 90% |
| 5 | Iowa Central Community College - Fort Dodge | 809.81 | 1,000.00 | 139.60 | (860.40) | 14% |
| 6 | Iowa Valley Community College | - | 1,000.00 | 41,068.00 | 40,068.00 | 4107% |
| 7 | Hawkeye Community College | 21,254.00 | 25,000.00 | 25,403.00 | 403.00 | 102% |
| 8 | Eastern Iowa Community College | - | 10,000.00 | 60,178.56 | 50,178.56 | 602% |
| 9 | Kirkwood Community College | - | DNR | DNR | DNR | |
| 10 | Des Moines Area Community College | 21,348.10 | 50,000.00 | 86,182.96 | 36,182.96 | 172% |
| 11 | Western Iowa Tech Community College | - | 5,000.00 | DNR | DNR | |
| 12 | Iowa Western Community College | - | 500.00 | - | (500.00) | 0% |
| 13 | Southwestern Community College | 33,021.38 | 30,000.00 | 19,390.56 | (10,609.44) | 65% |
| 14 | Indian Hills Community College | 7,335.90 | 13,000.00 | 25,157.63 | 12,157.63 | 194% |
| 15 | Southeastern Community College | 9,296.00 | 10,000.00 | 1,034.00 | (8,966.00) | 10% |
| | Total | \$ 150,439.19 | \$ 235,500.00 | \$ 354,658.27 | \$ 124,158.27 | |

DNR - Did not report.

Source: TSB Procurement Goals and Quarterly Reports on file with the Iowa Department of Economic Development.

Table 3**Area Education Agencies Report****Year ended June 30, 2008**

| No. | Area Education Agencies | FY 2007 Actual Targeted Small Business Spending | FY 2008 Targeted Small Business Procurement Goal | FY 2008 Actual Targeted Small Business Spending | FY 2008 Actual Over (Under) Goal | FY 2008 Actual As a % of Goal |
|--------------|---|--|--|--|---|--|
| 1 | Keystone AEA #1 | \$ - | \$ 1,000.00 | \$ - | \$ (1,000.00) | 0% |
| 2 | Northwest AEA | - | 1,000.00 | 106.24 | (893.76) | 11% |
| 3 | Prairie Lakes AEA #8 | - | 500.00 | 828.12 | 328.12 | 166% |
| 4 | AEA 267 | 18,717.00 | 20,000.00 | 21.00 | (19,979.00) | 0% |
| 5 | Mississippi Bend AEA #9 | - | 1,000.00 | 381.17 | (618.83) | 38% |
| 6 | Grant Wood AEA #10 | 1,008.31 | 1,500.00 | 1,657.83 | 157.83 | 111% |
| 7 | Heartland AEA #11-Johnston | 50,951.06 | 30,000.00 | 8,934.44 | (21,065.56) | 30% |
| 8 | Loess Hills AEA #13 | - | 5,000.00 | - | (5,000.00) | 0% |
| 9 | Green Valley AEA #14 | - | 5,000.00 | DNR | DNR | |
| 10 | Great River AEA #16 and Southern Prairie AEA #15 | - | 1,000.00 | DNR | DNR | |
| Total | | \$ 70,676.37 | \$ 66,000.00 | \$ 11,928.80 | \$ (48,071.20) | |

DNR - Did not report.

Source: TSB Procurement Goals and Quarterly Reports on file with the Iowa Department of Economic Development.